

Message Text

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ACTION EB-04

INFO OCT-01 SS-14 ISO-00 EUR-08 STRE-00 TRSE-00 SSO-00

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 3346

INFO AMEMBASSY PARIS PRIORITY

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C O N F I D E N T I A L BRUSSELS 17160

LIMDIS

USEEC

PARIS FOR USOECD

PASS STR ELECTRONICALLY

E.O. 11652: GDS

TAGS: ETRD, OECD, EC

SUBJECT: CONCLUSIONS FOR OECD AD HOC STEEL GROUP

REF: A) STATE 282760, B) STATE 282570

1. I SAW DAVIGNON, ACCOMPANIED BY DIRECTOR GENERAL BRAUN, ON SUNDAY MORNING AND CONVEYED CHANGES IN HIS PROPOSED TEXT PER REFTTEL (A).

2. DAVIGNON ACCEPTED CHANGE PROPOSED PARA. 3 REF. (A) AND AGREED DROP "IN BOTH THE LONG AND SHORT TERM" FROM PARA. 2 IN TEXT. HE ALSO ACCEPTED PROPOSAL TO BEGIN THAT SENTENCE WITH "THE GROUP AGREED THAT MEMBER COUNTRIES SHOULD COOPERATE WITHIN AN INTERNATIONAL FRAMEWORK AND SHOULD . . ." ETC.

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3. RE CHANGE PROPOSED PARA. 5 REF (A), DAVIGNON SAID HE WOULD HAVE TO INSIST THAT THE PHRASE "TO THE EXTENT PRACTICABLE" BE REMOVED, AND "CUSTOMARY" SUBSTITUTED FOR "NORMAL." THUS END OF LAST SENTENCE IN PARA. 4 OF CONCLUSIONS TEXT WOULD READ "BUT ANY MEASURE DESIGNED TO RAISE PRICES TO MORE ACCEPTABLE LEVELS SHOULD TAKE INTO ACCOUNT CUSTOMARY PATTERNS OF TRADE." HE FEELS

STRONGLY THAT "TO EXTENT PRACTICABLE" IMMEDIATELY AND UNNECESSARILY WILL DRAW EXCESSIVE ATTENTION TO THE TRADE SHARE ISSUE, CREATING SUSPICION AMONG MEMBER STATES AND EC INDUSTRY THAT A DEAL TO REDUCE IMPORT LEVELS HAS BEEN STRUCK. HE ASSURED ME THAT HE KNOWS WE ARE NOT GOING TO SOLVE ANY TRADE PROBLEMS WHICH MAY ARISE FROM IMPOSITION OF REFERENCE PRICES BY THIS OR ANY OTHER LANGUAGE IN THIS PARTICULAR DOCUMENT. CONCLUSIONS IN OECD MEETING ARE NOT, IN HIS VIEW, A LEGALLY BINDING INTERNATIONAL AGREEMENT, BUT RATHER A DECLARATION WHICH WILL PREPARE WAY FOR NEXT PHASE IN AN EVOLVING SCENARIO FOR CRISIS MANAGEMENT.

4. HE ALSO STATED THAT, IN HIS VIEW (AND WHICH HE WOULD BE PREPARED TO HAVE COMMISSION REP IN PARIS SAY), "CUSTOMARY" MEANS THAT IF THERE WERE A DROP IN STEEL CONSUMPTION, SUCH DECLINE DOES NOT AFFECT DOMESTIC PRODUCERS ALONE, BUT ALSO AFFECTS FOREIGN SUPPLIERS AS WELL. WHAT HE WANTS TO AVOID IS A BATTLE WITH JAPANESE OVER RESIDUAL SHARE OF U.S. MARKET.

5. I STRESSED THAT THERE SHOULD BE NO MISUNDERSTANDING BETWEEN US ABOUT MEANING OF WORDS. WHILE PRICE PLAN WAS DESIGNED TO BE HELPFUL TO EC, THERE WAS NO WAY IN WHICH WE COULD OR WOULD GUARANTEE EC ANY SHARE IN OUR MARKET. I ALSO READ THE GUIDANCE CONTAINED IN PARA. 2 OF REF. (B) WHICH IS GENERAL ENOUGH TO COVER SITUATIONS IN WHICH CONFIDENTIAL

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DEMAND BOTH DECREASES AND INCREASES. DAVIGNON DID NOT DISAGREE WITH EITHER POINT.

6. I ASKED WHAT PROCEDURAL STEPS DAVIGNON ENVISAGED FOR FURTHER DISCUSSIONS AFTER NOV. 30 OECD MEETING. REPEATING HIS COMMENT ON FRIDAY THAT OECD COULD NOT BE THE VENUE FOR SERIOUS CONVERSATIONS, HE SAID THAT COMMISSION WOULD LOOK TOWARD FURTHER PRIVATE, LOW VISIBILITY TALKS AMONG DAVIGNON, SOLOMON, COOPER, ETC., PLUS APPROPRIATE JAPANESE. THESE SHOULD LEAD TO UNDERSTANDINGS WHICH WOULD THEN GUIDE US THROUGH WHATEVER FORMAL MULTILATERAL MECHANISM WE AGREE IS BEST TO HANDLE ISSUE.

7. MY UNDERSTANDING IS THAT DAVIGNON WILL USE NEW TEXT AS AMENDED ABOVE IN HIS TALK WITH AMAYA AFTERNOON OF NOV. 28 AND WILL DEBRIEF ME ON TUESDAY. PLEASE ADVISE ASAP WHETHER DROPPING "TO EXTENT PRACTICABLE" IS ACCEPTABLE. GIVEN HIS EXPLANATION AND MY FOLLOW-UP REMARKS, I AM CONFIDENT HE UNDERSTANDS THAT THIS TEXT DOES NOT COMMIT US TO ANY MARKET SHARE, WHICH I ASSUME IS THE MAIN SUBSTANTIVE POINT WE WANTED TO GET ACROSS. I BELIEVE THAT IF WE INSIST ON INCLUSION THAT PHRASE, DAVIGNON MAY WELL CONCLUDE THAT

IT WOULD BE PREFERABLE TO HAVE NO AGREED TEXT AT ALL
RATHER THAN RISK PRECIPITATING DEBATE ON MARKET SHARES
WHICH HE KNOWS WILL LEAD NOWHERE. IN FACT, HE SAID AS
MUCH DURING OUR CONVERSATION. MORRIS

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